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SUBJECT: WILSON'S RESIGNATION

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1. FOLLOWING IS TEXT OF INR REPORT NO. 360 "THE IMPACT

OF WILSON'S RESIGNATION" DATED MARCH 16, 1976.

2. WILSON'S ANNOUNCEMENT, MARCH 16, THAT HE PLANNED TO RESIGN AS PRIME MINISTER AS SOON AS THE PARLIAMENTARY LABOR PARTY CHOSE A SUCCESSOR MAY HAVE AS-YET-UNFORESEEN IMPLICATIONS FOR THE COHESION OF THE PARTY BUT WILL NOT RESULT IN BASIC CHANGES IN BRITAIN'S FOREIGN POLICY.

„ THE ANNOUNCEMENT SURPRISED EVERYONE EXCEPT THE QUEEN, WHOM WILSON SAID HE HAD INFORMED LAST DECEMBER, AND POSSIBLY FOREIGN SECRETARY CALLAGHAN, WHOM HE MAY HAVE GIVEN ADVANCE NOTICE. WE DISCOUNT WILSON'S EXPLANATION THAT HE WAS RETIRING BECAUSE OF AGE (HE IS 60) AND BELIEVE RATHER THAT THE RECENT LEFT-WING REVOLT IN PARLIAMENT AGAINST HIS GOVERNMENT'S CUTS IN WELFARE EXPENDITURES MAY HAVE SPEEDED HIS DECISION, WHICH HE HAD PROBABLY BEEN CONSIDERING FOR SOME TIME.

4. TIMETABLE: NOMINATIONS FOR A NEW PARTY LEADER AND PRIME MINISTER WILL BE MADE AT A PARLIAMENTARY LABOR PARTY MEETING THIS WEEK, AND VOTING WILL FOLLOW SHORTLY THEREAFTER; AN ABSOLUTE MAJORITY OF THOSE VOTING IS REQUIRED FOR VICTORY. IF THERE ARE MORE THAN TWO CANDIDATES, AS SEEMS LIKELY, A RUN-OFF BALLOT WILL BE NECESSARY (THE WEAKEST CANDIDATE IS DROPPED AFTER EACH ROUND), AND THE PROCESS WILL TAKE AT LEAST TWO WEEKS.

5. CALLAGHAN AND CHANCELLOR OF THE EXCHEQUER HEALEY, BOTH MODERATES, ARE THE LEADING CANDIDATES TO SUCCEED WILSON. SECRETARY OF STATE FOR ENERGY BENN WILL ALMOST CERTAINLY BE THE CANDIDATE OF THE PARTY'S LEFT WING.

6. CALLAGHAN LIKELY SUCCESSOR: HEALEY HAS BUILT A REPUTATION AS AN ABLE AND TOUGH LEADER, BOTH AS SECRETARY OF DEFENSE IN THE LATE 1960'S AND IN HIS PRESENT POST. BUT HIS IDENTIFICATION WITH THE GOVERNMENT'S TOUGH ECONOMIC PROGRAM AND HIS SLASHING ATTACK ON THE LEFT-WING OPPOSITION TO IT IN RECENT PARLIAMENTARY DEBATES ALMOST GUARANTEE THAT THE LEFT WING WILL TOTALLY REJECT HIM AS WILSON'S SUCCESSOR. WHILE THE LEFT WING NUMBERS ONLY LIMITED OFFICIAL USE

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ABOUT ONE-FOURTH OF THE 318 SITTING LABOR MP'S, A PARTY LEADER HAS TO WIN AT LEAST THE TOLERANCE OF ONE-HALF OF THE LEFT-WING MP'S IN ORDER TO MAINTAIN A COMMONS MAJORITY ON GOVERNMENT LEGISLATIVE PROPOSALS.

7. UNDER THESE CIRCUMSTANCES, CALLAGHAN SEEMS MUCH MORE LIKELY THAN HEALEY TO SUCCEED WILSON, DESPITE THE FACT THAT HE IS OLDER THAN WILSON (HE IS 64). A MODERATE WHO

SHARES WILSON'S VIEWS ON DOMESTIC AND FOREIGN POLICIES, HE HAS RISEN FROM TRADE UNION RANKS. HE SIDED WITH THE UNIONS IN 1968-69, WHEN HEALEY STUCK WITH WILSON IN AN UNSUCCESSFUL EFFORT TO CURB UNION POWER.

8. IN ALL LIKELIHOOD CALLAGHAN WOULD SEE HIMSELF AS AN INTERIM LEADER, HOLDING THE LABOR GOVERNMENT TOGETHER LONG ENOUGH TO CONSOLIDATE A NEW LEADERSHIP TEAM, FIGHT AN ELECTION, AND FORM A GOVERNMENT OVER WHICH HE WOULD PRE-SIDE FOR A BRIEF PERIOD. IF THE PRESENT BATTING ORDER REMAINS INTACT, IT WOULD THEN BE HEALEY'S TURN.

9. BENN, A MERCURIAL FIGURE, HAS NO CHANCE OF GAINING WIDE PARTY SUPPORT.

10. SHOULD CALLAGHAN OR HEALEY UNEXPECTEDLY PROVE UNABLE TO WIN THE SUPPORT OF A MAJORITY, THE PARLIAMENTARY LABOR PARTY WOULD THEN HAVE TO LOOK ELSEWHERE IN THE CABINET. IN THAT CASE, POSSIBLE CANDIDATES MIGHT BE:

SHIRLEY WILLIAMS, THE POPULAR SECRETARY OF STATE FOR PRICES, A RIGHT WINGER; ROY JENKINS, HOME SECRETARY, A RIGHT WINGER; TONY CROSLAND, SECRETARY OF STATE FOR ENVIRONMENT, ANOTHER RIGHT WINGER; AND MICHAEL FOOT, SECRETARY OF STATE FOR EMPLOYMENT, A LEFT WINGER.

11. OUTLOOK FOR ELECTION: LABOR AT PRESENT HAS A NOMINAL MAJORITY OF ONE IN COMMONS, AND THE MOST RECENT BY-ELECTIONS AND GALLUP POLL INDICATE THAT THE CONSERVATIVES ARE NOW RUNNING ABOUT 5 PERCENTAGE POINTS AHEAD OF IT--ENOUGH TO GIVE THEM A MAJORITY IN COMMONS. THE TORIES ARE LIKELY TO PRESS FOR A GENERAL ELECTION.

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12. HOWEVER, THE LIBERAL PARTY IS ALSO UNDERGOING A LEADERSHIP CRISIS AND IS NOT LIKELY TO JOIN THE CONSERVATIVES IN FORCING AN EARLY ELECTION. FINALLY, UNCERTAINTY ABOUT HOW THE GROWING SCOTTISH NATIONALIST PARTY, WHICH MAY WELL HOLD THE FUTURE BALANCE OF POWER IN COMMONS, WILL VOTE ALSO MILITATES AGAINST AN EARLY ELECTION. ON BALANCE, THEREFORE, IT IS DOUBTFUL THAT THE NAMING OF A NEW PRIME MINISTER WILL REQUIRE NEW ELECTIONS.

13. EFFECT ON THE PARTY: WILSON, A CONSUMMATE TRIMMER, HAS MANAGED TO KEEP THE LABOR PARTY, LONG BESET BY FACTIONAL STRIFE, TOGETHER FOR MORE THAN A DECADE. HE LEAVES OFFICE AT A TIME WHEN THE PARTY FACES AN ISSUE PERHAPS AS DIVISIVE AS ANY THAT IT HAS FACED IN THE PAST--RESTRAINT ON WAGE INCREASES AND REDUCTION OF GOV-

ERNMENT SPENDING ON SOCIAL PROGRAMS IN ORDER TO CONTAIN SEVERE INFLATIONARY PRESSURES.

14. CALLAGHAN'S LONG POPULARITY WITH MOST UNIONISTS AND PARTY MEMBERS (EXCEPT THE LEFTISTS) WILL STAND HIM IN GOOD STEAD AS HE COPEs WITH THIS CHALLENGE. HE IS PARTICULARLY CLOSE TO JACK JONES, HEAD OF BRITAIN'S LARGEST UNION, THE TRANSPORT AND GENERAL WORKERS UNION. AT THE SAME TIME, CALLAGHAN WILL PROBABLY BE LESS WILLING TO COMPROMISE, ESPECIALLY WITH THE LEFT WING, THAN WILSON WAS, AND THE LEFT MAY BUCK HIM EVEN MORE THAN IT HAS WILSON.

15. IMPLICATIONS FOR FOREIGN POLICY: A GOVERNMENT HEADED BY CALLAGHAN WOULD NOT MAKE BASIC CHANGES IN FOREIGN POLICY. CALLAGHAN HIMSELF IS STRONGLY PRO-US AND PRO-NATO. HE MIGHT NAME HEALEY AS FOREIGN SECRETARY, OR HE MIGHT LEAVE HIM AT THE TREASURY.

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